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Washington DC  
415UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549ANNUAL AUDITED REPORT  
FORM X-17 A-5  
PART III

## OMB APPROVAL

OMB Number: 3235-0123  
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Hours per response..... 12.00

## SEC FILE NUMBER

8-69218

## FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 ThereunderREPORT FOR THE PERIOD BEGINNING 4/01/2019 AND ENDING 03/31/20  
MM/DD/YY MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: JM Financial Securities, Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

Harborside Financial Center, 2500 Plaza 5, 25<sup>th</sup> floor, Office No. 2558  
(No. and Street)Jersey City  
(City)NJ  
(State)07311  
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Emily Abbruzzese516-858-4766  
(Area Code - Telephone Number)

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

WithumSmith + Brown PC

(Name - if individual, state last, first, middle name)

1411 Broadway, 23<sup>rd</sup> floor  
(Address)New York  
(City)NY  
(State)10018  
(Zip Code)

## CHECK ONE:

- ☒ Certified Public Accountant
- ☐ Public Accountant
- ☐ Accountant not resident in the United States or any of its possessions

## FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17 a-5(e) (2)

## OATH OR AFFIRMATION

I, Arunava Das, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of JM Financial Securities, Inc., as of March 31, 2020, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

No exceptions



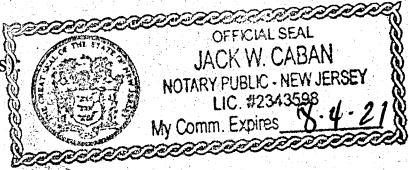
(Signature)

Chief Executive Officer

(Title)

Jack W. Caban 5.12.20  
(Notary Public)

This report \*\* contains (check all applicable boxes)

- |  |   |         |
|--|---|---------|
| <input checked="" type="checkbox"/> (a) Facing Page.   |  | Page(s) |
| <input checked="" type="checkbox"/> (b) Statement of Financial Condition.  |   | 2       |
| <input type="checkbox"/> (c) Statement of Income (Loss).   |   |         |
| <input type="checkbox"/> (d) Statement of Changes in Financial Condition. (Cash Flows)   |   |         |
| <input type="checkbox"/> (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.   |   |         |
| <input type="checkbox"/> (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.  |   |         |
| <input checked="" type="checkbox"/> Notes to the Statement of Financial Condition  |   | 3-7     |
| <input type="checkbox"/> (g) Computation of Net Capital.   |   |         |
| <input type="checkbox"/> (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.  |   |         |
| <input type="checkbox"/> (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.   |   |         |
| <input type="checkbox"/> (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3. |   |         |
| <input type="checkbox"/> (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.  |   |         |
| <input checked="" type="checkbox"/> (l) An Oath or Affirmation   |   |         |
| <input type="checkbox"/> (m) A copy of the SIPC Supplemental Report.   |   |         |
| <input type="checkbox"/> (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.   |   |         |
| <input type="checkbox"/> (o) Report of Independent Registered Public Accounting Firm on the Exemption Report   |   |         |
| <input type="checkbox"/> (p) Exemption Report  |   |         |

\*\* For conditions of confidential treatment of certain portions of this filing. See section 240.17a-5(e)(3).

# **JM Financial Securities, Inc.**

**Statement of Financial Condition**

**March 31, 2020, and Report of Independent  
Registered Public Accounting Firm**

**JM Financial Securities, Inc.**  
**Index**  
**March 31, 2020**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Management and Stockholder of  
JM Financial Securities, Inc.

**Opinion on the Financial Statement**

We have audited the accompanying statement of financial condition of JM Financial Securities, Inc. (the "Company"), as of March 31, 2020, and the related notes (collectively referred to as the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of March 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

*WithumSmith+Brown, PC*

We have served as the Company's auditor since 2018.

May 5, 2020  
New York, New York

**JM Financial Securities, Inc.**  
**Statement of Financial Condition**  
**March 31, 2020**

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**Assets**

Cash	\$ 189,785
Certificates of deposit	1,070,654
Accounts receivable	10,571
Prepaid expenses and other assets	47,814
Related party receivables	166,424

<b>Total assets</b>	<u><u>\$ 1,485,248</u></u>
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**Liabilities and Stockholder's Equity**

**Liabilities**

Accrued expenses and other liabilities	\$ 196,822
Related party payables	10,671

<b>Total liabilities</b>	<u><u>207,493</u></u>
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**Stockholder's Equity**

Common stock, \$0.01 par value, authorized, issued and outstanding, 16,500 shares	165
Additional paid-in capital	1,649,835
Accumulated deficit	(372,245)

<b>Total stockholder's equity</b>	<u><u>1,277,755</u></u>
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<b>Total liabilities and stockholder's equity</b>	<u><u>\$ 1,485,248</u></u>
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See accompanying notes to the statement of financial condition

**JM Financial Securities, Inc.**  
**Notes to the Statement of Financial Condition**  
**March 31, 2020**

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**1. Organization**

JM Financial Securities, Inc. (the "Company"), incorporated in the State of Delaware on June 19, 2012, is a wholly owned subsidiary of JM Financial Overseas Holdings, Pvt. Ltd. (the "Parent") and is an indirect wholly owned subsidiary of JM Financial Limited (the "Ultimate Parent"). Beginning June 15, 2015, the Company is registered with the U.S. Securities and Exchange Commission ("SEC") as a broker dealer and is a member of the Financial Industry Regulatory Authority ("FINRA").

The Company began business operations on February 1, 2016 and its operations consist of marketing and distribution of research reports of companies primarily headquartered in India and Southeast Asia. The customers introduced by the Company transact their business on delivery versus payment basis with settlement of transactions facilitated by an affiliate in India, JM Financial Institutional Securities Limited ("JMFISL") for securities traded in Indian stock markets.

The impacts of COVID-19 pandemic are unfolding in real time and are at an evolving stage. In assessing the fair value of financial instruments, recoverability of its loans, contract assets, investments and receivables including unbilled receivables and providing for loss allowance as per Expected Credit Loss, the Company has considered internal and external information up to the date of approval of these financial statements. Based on current indicators of future economic conditions, the Company expects to recover the carrying amount of its assets. The impact of the pandemic may be different from the estimated as at the date of approval of these financial statements and the Company will continue to closely monitor any material changes to future economic conditions, including the degree to which the Company's operations could be exposed to the impacts of the outbreak in the near future.

**2. Significant accounting policies**

**Basis of Presentation and Use of Estimates**

The preparation of the statement of financial condition in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the statement of financial condition. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash consists of deposits with banks and all highly liquid instruments with original maturities of three months or less to be cash equivalents. The Company's cash balance is held with a large global financial institution. The Company may, during the ordinary course of business, maintain account balances in excess of federally insured limits.

**Fair value of financial instruments**

Substantially all of the Company's assets and liabilities are carried at fair value or contracted amounts which approximate fair value. The fair value of Certificates of Deposit includes deposited amount plus accrued interest.

**Fair Value Measurement – Definition and Hierarchy**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches and establishes a hierarchy for inputs used in measuring fair value that maximizes the use of relevant observable

**JM Financial Securities, Inc.**  
**Notes to the Statement of Financial Condition**  
**March 31, 2020**

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inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions other market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the observability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

- Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including, for example, the type of product, whether the product is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3 of the fair value hierarchy.

The Company considers prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from Level 1 to Level 2 or Level 2 to Level 3. In addition, a downturn in market conditions could lead to declines in the valuation of many instruments.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

**Property and equipment and depreciation**

Fixed assets are carried at cost less accumulated depreciation. There are no fixed assets capitalized during the year.

**Income Taxes**

The Company follows an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed on the difference between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on the enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce the deferred income tax assets to the amount expected to be realized. The determination of the Company's provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items and the probability of sustaining uncertain tax positions. The benefits of uncertain tax positions are recorded in the Company's financial statements only after determining a more-likely-than-not probability that the



**JM Financial Securities, Inc.**  
**Notes to the Statement of Financial Condition**  
**March 31, 2020**

uncertain tax positions will withstand challenge, if any, from tax authorities. When facts and circumstances change, the Company reassesses these probabilities and records any changes in the financial statements as appropriate. Accrued interest and penalties related to income tax matters are classified as a component of income tax expense. No interest expense or penalties have been recognized as of and for the year ended March 31, 2020. The Company files federal and New Jersey state income tax returns in the U.S. Any potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions and compliance with U.S. federal, state and local tax laws.

**New Accounting Pronouncements**

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement, (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement, (“ASU 2018-13”). ASU 2018-13 eliminates, adds and modifies certain disclosure requirements for fair value measurements as part of its disclosure framework project. The standard is effective for all entities for financial statements issued for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. The Company does not expect the adoption of ASU 2018-13 to have a material impact on its financial statements and related disclosures

**3. Financial Assets and Liabilities Not Measured at Fair Value**

The table below presents the carrying value, fair value and fair value hierarchy category of certain financial instruments that are not measured at fair value in the Statement of Financial Condition.

The carrying value of cash, accounts and related party receivables, and accrued expenses and related party payables arising in the ordinary course of business approximate fair value because of the relatively short period of time between their origination and expected maturity, and are payable on demand.

Financial instruments not measured at Fair Value at March 31, 2020:

	Carrying Value	Fair Value	Fair Value Measurement		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<b>Financial Assets:</b>					
Certificates of deposit (maturing 2021)	\$ 1,070,654	\$ 1,070,654	\$ -	\$ 1,070,654	\$ -

**4. Related Party Transactions**

The Company earned services income in accordance with its service agreement entered into with JMFISL on September 27, 2016, which is being amended from time to time. The agreement calls for JMFISL to pay the Company a fee equivalent to all normal recurring expenses plus a mark up of 12%. The activities of the Company include significant transactions with affiliates and may not necessarily be indicative of the conditions that would have existed if the Company had operated as an unaffiliated business. At March 31, 2020, the Company has a related party receivable of \$166,424. The Company has a related party payable balance of \$10,671 at March 31, 2020. This balance is research fees payable to JMFISL.

**JM Financial Securities, Inc.**  
**Notes to the Statement of Financial Condition**  
**March 31, 2020**

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**5. Lease Commitments and contingencies**

**Lease commitments**

The Company is obligated under a non-cancelable operating lease for its office facility in New Jersey, expiring in 2022. The lease agreement is subject to escalations for increase in taxes and other operating costs. The future minimum lease payments under the agreement are as follows:

<u>Years ending</u> <u>March 31,</u>	
2021	\$ 24,199
2022	<u>22,182</u>
	<u>\$ 46,381</u>

**Contingencies**

The Company is subject to various regulatory examinations that arise in the ordinary course of business. In the opinion of management, results from these examinations will not materially affect the Company's financial position. There is currently no pending litigation against the Company.

**6. Deferred Tax Assets**

Deferred tax assets as of March 31, 2020 consist of the following:

**Non-Current Deferred Tax Assets**

Accruals	-
Intangible Assets	65,983
Net Operating Loss Carryforwards	32,897
Other	<u>315</u>
Gross Non-Current Deferred Tax Assets	99,195
Gross Non-Current Deferred Tax Liabilities	
Valuation Allowance	<u>(\$99,195)</u>
Net Deferred Tax Assets	<u>-</u>

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief and Economic Security Act (CARES Act) that includes provisions and tax law changes applicable to businesses. Changes in tax law are accounted for in the period of enactment. As a result of the passage of the CARES Act, the Company is able to utilize NOLs to offset 100% of taxable income for taxable income arising after December 31, 2017 and before January 1, 2021.

The Company has recorded a full valuation allowance against its net deferred tax assets due to the uncertainty as to whether such assets will be realized. The valuation allowance increased primarily due to a change in accruals and generation of net operation losses.

**7. Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission (SEC) Uniform Net Capital Rule ("SEC Rule 15c3-1"), which requires the maintenance of minimum net capital, as defined,

**JM Financial Securities, Inc.**  
**Notes to the Statement of Financial Condition**  
**March 31, 2020**

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equal to the greater of \$250,000 or 6 2/3% of aggregate indebtedness, as defined. At March 31, 2020, the Company had net capital of (\$17,708) which was (\$267,708) below the minimum amount required. In April 2020, the Company was notified of a ruling by FINRA that required a change to the Company's net capital computation and created a technical deficiency at year end. The net capital deficiency was addressed and corrected in April 2020.

Rule 15c3-3 under the Securities and Exchange Act of 1934 ("SEC Rule 15c3-3") specifies certain conditions under which brokers and dealers carrying customer accounts are required to maintain cash or qualified securities in a special reserve bank account for the exclusive benefit of customers. Had it maintained such an account there would have been no transactions recorded. The Company does not clear or otherwise hold funds or securities for, or owe money to customers and therefore is exempt from the provisions of Rule 15c3-3 pursuant to paragraph (k)(2)(i). (k)(2)(i).

**8. Subsequent Events**

On April 29, 2020, as part of a routine FINRA examination of the Company, FINRA ruled that the certificates of deposit owned by the Company were to be classified as non-allowable assets under SEC Rule 15c3-1. Due to the ruling, the firm did not meet the minimum requirement of \$250,000 at various times throughout the year. At March 31, 2020, the firm owned Certificates of deposits with a value of approximately \$1,070,000. On April 29, 2020, the firm withdrew the funds from one of the certificates of deposit, deposited them into a checking account and had a cash balance of over \$853,000. This action increased the firm's net capital balance to meet the regulatory requirement. As of April 29, 2020, the firm was in compliance with SEC Rule 15c3-1.